



SPECIAL ESTIMATE

029301

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CONSEQUENCES OF THE FUTURE REVELATION  
OF THE CONTENTS OF CERTAIN  
GOVERNMENT DOCUMENTS



SE-28

8 May 1952

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CENTRAL INTELLIGENCE AGENCY

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## SPECIAL ESTIMATE

# CONSEQUENCES OF THE FUTURE REVELATION OF THE CONTENTS OF CERTAIN GOVERNMENT DOCUMENTS

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The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated with the Central Intelligence Agency in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 6 May 1952.

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## CONSEQUENCES OF THE FUTURE REVELATION OF THE CONTENTS OF CERTAIN GOVERNMENT DOCUMENTS

### THE PROBLEM

To estimate the consequences for US foreign relations and for US strategic interests of the revelation of the contents of the two-volume study entitled "Report of the Federal Trade Commission on the International Petroleum Cartel."

### SCOPE

This estimate considers the consequences of the revelation of the contents of the subject report, whether by official publication or otherwise. The estimate does not consider to what extent the statements in the Report are accurate or already known, but solely the effect of their revelation, individually or collectively, as allegations made under the sponsorship of an arm of the US Government.

### ESTIMATE

1. We estimate that official publication of this Report would greatly assist Soviet propaganda, would further the achievement of Soviet objectives throughout the world and hinder the achievement of US foreign policy objectives, particularly in the Near and Middle East, and would otherwise tend to injure US foreign relations and strategic interests, as more fully set forth below.

2. We believe that the manner of the revelation of the Report's contents, otherwise than by official publication in full in its present form, would cause the consequences to differ only in degree from the consequences of official publication estimated herein. The adverse effects herein estimated might be mitigated to some extent by withholding from general release certain paragraphs which would particularly provide propaganda and political ammunition to Soviet and other forces in the Middle East opposed to the interests of the US.

3. *Assistance to Soviet propaganda and to the achievement of Soviet objectives throughout the world.* Publication of the report would:

a. Assist the USSR in pursuing its objective of dividing the West and specifically of driving a wedge between the US and UK, and between the US and other European nations.

b. Greatly assist Soviet propaganda designed to discredit the US and other Western Powers in the Near and Middle East, and further the Soviet objective of fostering and perverting to Communist ends the spirit of nationalism in that area.

c. Assist the current Soviet campaign to induce a relaxation of East-West trade controls, through distortion of certain allegations in the Report to support the propaganda argument that US and Western foreign trade practices are deliberately restrictive.

d. Assist the world-wide Soviet campaign to represent the US and other Western Powers as "imperialist" and "colonial" powers. This

effect would be felt not only in the Near and Middle East but also in the countries of South and Southeast Asia and to some extent in Latin America.

4. *Specific Adverse Effects on the US Position in the Near and Middle East.* Publication of the Report would:

a. Further prejudice prospects for a settlement of the Iranian oil controversy, in particular by damaging, perhaps irreparably, the status of the US as mediator between the UK and Iran. Publication would thus contribute to the present economic deterioration and political instability in Iran, and increase opportunities for Communist subversion.

b. Assist forces in other oil-producing countries in the area which desire to alter present contractual arrangements with the international oil companies, and thus jeopardize the flow of oil, which is of great strategic importance to the US and its allies.

c. Harm the general position and prestige of the US and other Western Powers in the area, by providing propaganda ammunition not only to Communist elements but also to extreme nationalist and other anti-Western elements.

d. Raise doubts in the UK and France concerning US objectives in the Near and Middle East and possibly jeopardize coordination of over-all policies for the area.

e. As a consequence of c. and d. above, reduce the prospects for achieving a Middle East defense organization.

f. Seriously embarrass certain governments in the area, both in their relations with the US and other Western Powers and in their internal political situations, thus increasing the likelihood of disorder and deterioration favorable to extreme nationalist and anti-Western elements, including Communists.

5. *Other Adverse Effects on US Interests.* In addition to the consequences listed above, publication of the Report would:

a. Tend to impair basic relations between the US and UK and to a lesser extent between the US and the Netherlands and between the US and France, to the detriment of US interests in all areas in which close cooperation with these powers is essential to the achievement of US security objectives. In addition to the proposed Middle East defense organization, this would apply to NATO and to efforts to achieve agreed policies in the Far East including Southeast Asia.

b. Tend to jeopardize US oil concessions in areas other than the Middle East and to jeopardize other US commercial and industrial interests abroad, including private mining arrangements in South America and elsewhere.

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030360

PROBABLE CONSEQUENCES OF  
THE PROSECUTION OF THE ANTI-TRUST  
SUIT AGAINST CERTAIN US OIL COMPANIES

FOR THE PERSONAL ATTENTION  
OF THE ADDRESSEE ONLY.



SE-28/1

Published 2 January 1953

*The following member organizations of the Intelligence Advisory Committee participated with the Central Intelligence Agency in the preparation of this estimate: The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff.*

*All members of the Intelligence Advisory Committee concurred in this estimate on 29 December 1952, except the Assistant to the Director, Federal Bureau of Investigation, who abstained from comment, neither concurring nor dissenting.*

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## PROBABLE CONSEQUENCES OF THE PROSECUTION OF THE ANTI-TRUST SUIT AGAINST CERTAIN US OIL COMPANIES

### NOTE

This paper deals only with the consequences of the publication of the FTC report and of the possible indictment and trial of US oil companies. It does not consider the consequences of a judgment for or against the oil companies.

### ESTIMATE

1. In SE-28,<sup>1</sup> we estimated that publication of the "Report of the Federal Trade Commission on the International Petroleum Cartel" would:

- a. be exploited in Soviet-Communist and other anti-US propaganda;
- b. tend to impair basic US relations with the UK and other Western countries;
- c. adversely affect the position of the US, and of US oil companies, in the Middle East; and
- d. strengthen attacks against US business interests in other areas.

2. The FTC report was published on 22 August 1952. The fact that deletions were made is a matter of public report, but the text of the deleted portions has not been publicly revealed.

3. The effects noted in SE-28 have not yet materialized in any significant degree as a result of publication of the FTC report or of the initial legal proceedings stemming therefrom.

4. However, publication of the report has already provided Communists and nationalist extremists with material which they can use in an aggressive propaganda campaign to the

detriment of US interests at any time they so decide. We are unable to estimate when or in what manner they will do so.

5. Indictment and trial of the oil companies would probably bring out additional material which could be exploited by Communists and nationalist extremists to discredit US oil companies and other US foreign business enterprises. On the other hand, abandonment of the case would lay the US Government open to charges of attempting to suppress damaging evidence and of condoning the practices alleged in the original complaint.

6. Past and possible future revelations will probably provide an additional stimulus to demands in Middle Eastern countries and in Venezuela for a larger share of oil revenues. They will also provide nationalist extremists with additional ammunition for use in their campaign in behalf of nationalization of oil. These revelations are not, however, in our judgment, likely to be a decisive element affecting the policy of these countries with regard to nationalization of oil resources.

7. In the UK and other Western European countries there has been criticism of the soundness of US judgment in publishing the FTC report. The prosecution of the case would place a further strain on US relations

<sup>1</sup> Published 8 May 1952.

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with these countries. These countries are generally more tolerant of cartel arrangements than is the US. They have questioned, and will probably continue to question, the soundness of a policy which, in order to support a principle that they regard as of minor importance, risks reactions in oil producing

countries which might result in the loss of major strategic resources. There are, however, no indications that the publication of the FTC report has impaired basic relations with the UK and other Western countries, or that the indictment and trial of the oil companies would be likely to do so.

A 12 Friday, Feb. 22, 1974 THE WASHINGTON POST

# 'National Security' Saved Oil Cartel in 1953 Probe

By Morton Mintz  
Washington Post Staff Writer

President Truman launched a criminal investigation of what he termed "the international oil cartel" but later halted a grand jury inquiry "solely on the assurance of Gen. Omar N. Bradley that the national security called for that decision," a former Justice Department official revealed under oath yesterday.

Although the antitrust laws haven't changed, the basic cartel arrangement considered illegal by the Justice Department 21 years ago continues today, the witness, Leonard J. Emmerglick, told the Senate Subcommittee on Multinational Corporations, headed by Frank Church (D-Idaho).

As special assistant to Attorney General James P. McGranery, Emmerglick led the grand jury investigation.

Truman reached his reluctant decision only eight days before leaving office in January, 1953, Emmerglick said. He said the President was confident that a civil suit would be vigorously prosecuted against the five U.S. firms involved—Exxon, Texaco, Gulf, Mobil and Standard of California (SoCal). The foreign firms, British Petroleum and Shell, were co-conspirators, he said.

Three months after President Eisenhower took office, the Justice Department ended the grand jury investigation and simultaneously filed a civil complaint accusing the

oil companies of conspiring to restrain interstate and foreign commerce and monopolizing commerce between the United States and other nations.

The civil case was not vigorously prosecuted, but ended in the 1960s with consent decrees that were "cosmetic, and nothing more," Emmerglick said.

Emmerglick gave a rare glimpse of a conflict at the highest levels of government over whether the companies in the cartel should be broken up with a criminal proceeding quest—that was expected to be over with in a matter of months.

Emmerglick said Mr. Truman summoned him to his White House living quarters one Sunday evening and told the prosecutor he was ending

the criminal proceeding—because Secretary of State Dean Acheson and others in the Cabinet also recommended doing so, but because General Bradley did.

Bradley, the nation's only surviving five-star general, now lives in Los Angeles. An aide said he was not immediately available for comment.

Senator Church released a 158-page collection of documents—declassified by the State Department at his request—on the cartel and the controversy within the government over its role in national security.

Many of the papers dealt with a central issue: whether the national security in the Middle East would be pro-

ected or imperiled by prosecuting the cartel case.

The issue arose mainly out of fears that Iran, which in 1951 had nationalized assets of the Anglo-Iranian Oil Co. (now British Petroleum), might slip into the Soviet orbit.

The British and the Iranians had apparently irreconcilable differences. But the United States, then in the Cold War period and fighting in Korea, wanted Iranian oil production restored. The documents show Acheson contended that this required the cooperation of the major American firms because they had tankers to move the oil.

The Justice Department, a strong pro-competitive stance in 1951 in a background paper prepared for a meeting

which American firms not then in the Middle East would form a joint venture to produce and market Iranian oil. This solution was intended to inject serious, long-lived competition into the world oil business.

In a surprise development, the subcommittee produced an internal State Department memo showing that its own expert in the Middle East at the time, Richard Funkhouser, had relayed a recommendation from a major company executives that independents be given "every encouragement . . . to move Iranian oil."

Funkhouser had also taken a strong pro-competitive stance in 1951 in a background paper prepared for a meeting

with oil executives on Middle East problems.

"The U.S. government should continue to make known to U.S. oil companies at every appropriate opportunity that the use of business practices which tend to divide markets, limit access to markets, fix prices, establish quotas or in any other way to restrain competition or foster monopolistic control is contrary to U.S. policy," Funkhouser said.

The Justice Department position was that these were the very practices engaged in by the cartel since the 1920s.

In addition, State Department legal adviser Adrian S. Fisher disclosed in December, 1952, that "none of the oil

companies had any particular desire to move this oil," having increased production elsewhere when Iranian oil went off the market.

In an unprecedented action, the National Security Council in October, 1953, transferred control of the cartel case to the State Department. Three months later, the NSC extended the cartel into Iran, rather than breaking it up, although Truman had told Acheson that such antitrust immunity could be obtained only through invocation of the Defense Production Act.

The NSC, Church charged yesterday, "not only perverted the law, but precluded the creation of a competitive international oil industry."